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60-2096-0002

b4, b7D

On June 10th, Jill Ptacek and I interviewed

distribution: RWF, DNK, HALE, PTACEK, ALEXANDER - EAG, SWEENEY, JONES,  
BEN-DAVID, CASE, CHRON, ARCHIVE

b 7D

Mike

7D

04, 717

[REDACTED]

[REDACTED]

insofar as it has not been deleted from any retail outlet, but it has not been able to grow its space where it will not pay fees that are requested.

[redacted] promotional policy is to offer price discounts so that retailers can pass along temporary reductions to consumers. b7D

These price discounts are offered in connection with the use of secondary display space in the retail outlets. A major problem for [redacted] in this regard is that some of the national competitors have secured permanent, i.e., year-round promotional space, making it difficult for a [redacted] distributor to come in on a one-time basis and try to get an end cap or a series of bread tables. In addition, the cost of buying an end cap for a year is prohibitively expensive. According to [redacted] an end-cap represents approximately eight section feet of shelving and in his view, a "foot is a foot" where ever it is located in the store, be it a gondola or an end-cap.

[redacted] said that his company has not lost any major amounts of space in the last few years. In convenience stores, like grocery stores [redacted] does not pay for space nor has he received payment for space for existing accounts. However, he does think that new accounts may try to extract such payments. [redacted]

[REDACTED] b7D  
[REDACTED] that most convenience store chains either have an exclusive with Frito or carry only two providers, when they used to have four to five. Frito is always a given in the convenience stores. [REDACTED] has been asked to leave some convenience stores because their promotional program was not good enough. According to [REDACTED] Frito sets the standard and if the competition doesn't meet that standard, then retailers will kick them out.

[REDACTED] does not have a minimum drop size. The company has a policy of servicing any customer, whatever the size of the drop, even if it is not profitable. This policy has its downside for the company, particularly in convenience stores where there is not much space to begin with. In convenience stores, because snacks are more of an impulse item than even the grocery stores, it's important that your product be at the front of the store. According to [REDACTED] Frito has complete dominance of the front-end, high exposure parts of convenience stores. In addition, [REDACTED] that his company sometimes has difficulty placing ads, because the promoted price is not low enough. [REDACTED] does present its promotions quarterly and offers funds for co-op advertising.

[redacted] bags are pre-priced and, according [redacted] the prices are pretty competitive with Frito Lay. [redacted] that Frito's effective prices are higher in the south, when one calculates in the amount of discounts and rebates. He believes the prices are higher where there is less competition. b7D

[redacted] said that [redacted] has not been locked out of any promotions on the holidays by Frito-Lay due to an exclusivity arrangement that Frito has obtained, but, the fact of the matter is that Frito is discounting more than [redacted] can, therefore, it doesn't really matter that the promotions on those holidays are not exclusive.

We asked [redacted] tell us what his primary competitive concerns are. He identified two. First was the pressure to pay for shelf space. And second, that Frito is discounting too much for [redacted] to match. For example, Frito is offering a "BOGO" which is a "buy one get one free" arrangement, as well as [redacted] percent off Lay's every day. These discounts are such that [redacted] would not find it affordable to do. Finally, he was concerned that the retail outlets want other suppliers to do what Frito does in terms of payment. This puts a lot of pressure on those other suppliers.

[redacted] not think of an instance in which a store had said that it had an exclusive and therefore could not carry [redacted] products. He has heard of convenience stores who say they have been approached to enter into an exclusive arrangement with Frito. He can understand how such an arrangement might be appealing for a convenience store because the store itself can afford to be more selective than grocery stores and the store personnel will only have to deal with one supplier's representative rather than several.

Eagle was in some of the markets that [redacted] serves.

[redacted]

[redacted]

[redacted] and [redacted] were not particularly forthcoming in their answers. [redacted]

[redacted]

[redacted]

So/So #11512